457 Foreign banks, the pillars of the Shanghai money market for nearly two centuries, withdrew from Shanghai, Tsingtao, and Amoy when the government sought to monopolize foreign trade. The control of overseas remittances was assumed by the Bank of China. Restrictions on the movement of foreign personnel, high taxes on their property, and unreasonable demands on the part of Chinese employees made it impossible for foreign banks to continue.

426 Pawnshops, the oldest credit mechanism for the common people, were unable to obtain credit from banks after the Communists enforced selective credit controls. The working capital of East China pawn shops, particularly in Kiangsu and Chekiang provinces, had come from bank credits and deposits. But under the provisional regulations governing pawnshops, promulgated in September 1950, they were required to increase capital, were forbidden to accept deposits, and were subject to many other restrictions. As a result, most of them "voluntarily" discontinued business. At the end of 1952 those few pawnshops which had remained in business were advised to close.

453 The only remnants of the so-called capitalist banking structure in East China are three overseas Chinese banks in Shanghai, a branch of the Overseas Chinese Banking Corporation of Singapore, a branch of the Bank of East Asia of Hong Kong, and the Chi-yu Banking

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earnings of the principal wage earner provided only 53.3 per cent, other members contributing 34 per cent. An amount of 12.7 per cent had to come from other sources. It is thus obvious that the earnings of a principal wage earner were but a relatively small part of the family income, and that the earnings of a least a second member of the family were needed. In addition to the earnings of both of these, financial support from relatives and friends had to be sought, or borrowing from moneylenders was necessary; otherwise income had to be obtained from such activities as peddling or sub-letting rooms.

The average family expenditure was $454.38, leaving an average annual deficit of $37.87. If income from wages earned by all family members only is considered, disregarding income from other sources, the average annual deficit was found to rise to $121.23. The excess of the family expenditure over the income of the principal wage earner was greater still. Working-class families, it goes without saying, spend extremely carefully; the majority of their expenditures are for basic needs.

It may be assumed that the 1929-30 standard of living remained virtually unchanged until the end of 1936, the last normal year before Sino-Japanese hostilities. The cost of living index (1926—100) was at 101.98 in 1929, 116.79 in 1930, and 105.04 in 1936. In other words, costs in 1936 were approximately what they had been in 1926, and below the 1930 level.

The outbreak of hostilities in August 1937 affected extensively the livelihood of the workers. The 1926 base period of the index, being remote in time, ceased to be significant, and in 1938 the index was recalculated on a 1936 base. Changes in living costs were somewhat slow to appear since not until August 1939 did the index figures show the cost to be double what it had been in 1936. Thereafter, however, changes were rapid. Certain basic foods disappeared from the markets. By the beginning of 1940, *sien mee,* a popular native rice, was no longer procurable, and second-grade Saigon rice replaced it as the people's food. *Kan mee,* a non-glutinous Chinese rice, reached the Shanghai markets only in small quantities and at high prices. Finally, in February 1941, orders for Saigon rice could not be placed in Indo-China, and Saigon rice in turn was replaced as the workers' food in May 1941 by Rangoon rice imported via Hongkong by the Settlement

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511 cost in 1936, the principal wage earner would have had to earn 53.3 per cent, or $14.76 per month. A second member would have 458 had to earn 34 per cent, or $9.42. Elsewhere $3.53 or 12.7 per 434 cent would have to be found. These earnings were possible in 1936. Even unskilled male workers in textile plants, a low-paid industry, earned $16 a month. True, even then the gap between earnings and the total family income needed was wide and necessitated borrowing. But when costs rose, when the index figure of July 1942 was 2,163.51 with prices expressed in Central Reserve Bank Notes, income necessary for the maintenance of a family exceeded what most industries which continued to operate could pay. A principal wage earner would have had to earn CRB $325.32. A second wage earner, always assuming that work could be found, had to bring in CRB $65.31, and other income chiefly from borrowing and amounting to CRB $100.79, had to be found. Since few workers could in July 1942 muster this sum, though founded on standard of expenditure as recent as December 1941-January 1942, it was obvious that the standard of living even for those workers who continued to be employed was still declining. A careful calculation of the minimum needs of a family in July 1942 showed that CRB $426.54 was needed, with a principal wage earner producing $282.375. Since few workers would reach even this standard it follows that a considerable proportion of the community was living below subsistence standards.

In the months that have elapsed since the middle of 1942 the situation has, from all available evidence, still further deteriorated. Accurate figures are lacking. The misery was so great that it seemed it could not be worse. Yet an even greater cost has been exacted of a long-suffering people.

458 CONSIDERATION OF THE figures given above shows clearly that the 434 basis of remuneration of workers by which the principal wage 435 earner did not earn enough for the needs of his family so that 511 other income must be obtained through the efforts of other members of the family and from other sources was unsatisfactory.[4]

426 [4] The question will of course be asked, "How does the family live?" The answer is, to use the words of a Chinese observer, "By moving the debts." Short-term loans at high interest successively added to by others are contracted. The following is the load position of one low-paid employee who borrowed eight times in three years:

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Discrepancies between earnings and costs tend to become aggravated when living costs rise. The difference between what a principal wage earner could earn and what it cost his family to live became so wide that a serious lowering of living standards inevitably resulted.

To help to check the inflationary tendencies which from 1938 onward appeared, wage levels should in theory not have been permitted to rise. Instead, price levels should have been fixed and spending sharply reduced. The currency of the Settlement was that of the Chinese government faced with fighting a long war. With the provinces near Shanghai in Japanese military control and there being, for a long time after the withdrawal of the Chungking authorities from Nanking virtually no government in the area, there was no possibility of such organised measures being put into effect. With rising living costs the only alternative, therefore, was to raise earnings standards, though admittedly this contributed to further price rises. Moreover, it is one thing to limit spending in a country where there is a margin which can be eliminated and another to do so at the risk of seriously reducing the standard of living. In Shanghai where workers must spend all of their earnings and more on basic necessities, to limit spending presented, to say the least, a difficulty.

Studies of wages and earnings in 1941 show that industry, both foreign-owned and Chinese-owned, attempted to bridge the gap between rising living costs and what the pay envelope contained. On a 1936 base of 100, the earnings index of Chinese-owned plants in 1941 stood at 457.65, an increase of almost 100 over the earnings index of 242.65 in 1940. In foreign-owned plants the earnings index was 465.54 in 1941. Though slightly below the earnings index of Chinese-owned plants, the money earnings in foreign-

Creditor	*Amount of loan*	*Interest*	*Currency of loan at time of enquiry*
A Sikh	$20	$2 per month	30 months
A friend	50	5 "	24 "
A woman	30	2 "	24 "
A widow	25	1.50 "	12 "
		Principal and Interest	
A liftman	15	$6 per month	6 months
A fellow worker	15	6 "	5 "
A chauffeur	15	6 "	3 "
A chauffeur	20	8 "	2 "